

Message Text

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PAGE 01 GENEVA 05873 01 OF 03 181934Z
ACTION STR-07

INFO OCT-01 STRE-00 IO-13 ISO-00 AGR-01 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 OIC-02 JUSE-00 AF-10 ARA-10 EA-10 EUR-12
NEA-10 /169 W

-----063709 181948Z /43

P 181910Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8565
INFO AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 01 OF 03 GENEVA 05873

USMTN

ACTION STR
PASS AGRICULTURE
STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD
SUBJECT: US-SWEDEN AGRICULTURAL CONSULTATION, APRIL 13,
1978

1. SUMMARY. US AND SWEDISH MTN DELS HELD BILATERAL
APRIL 13 TO REVIEW IN DETAIL REQUESTS AND OFFERS ON
AGRICULTURAL PRODUCTS. SWEDEN EXPRESSED DOUBT THAT ITS
OFFER COULD BE MUCH IMPROVED BUT DID INDICATE SEVERAL
AREAS WHERE POSSIBILITIES EXISTED; I.E. FRUITS AND VEGE-
TABLES AND ALCOHOLIC BEVERAGES. FOR PRODUCTS ON WHICH
VARIABLE LEVIES ARE APPLIED, THE SWEDES ASSERTED THAT
THESE WERE NECESSARY TO THE OPERATION OF ITS AGRICULTU-
RAL SYSTEM AND THEREFORE NOTHING COULD BE DONE. SWEDISH
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PAGE 02 GENEVA 05873 01 OF 03 181934Z

DEL NOTED THE OVERRIDING IMPORTANCE TO SWEDEN OF THE
MODIFICATION OF THE US COUNTERVAILING DUTY LAW. SWEDEN
ALSO PROVIDED US WITH THREE ADDITIONAL REQUESTS COVERING
CERTAIN GELATINS AND GLUES. END SUMMARY.

2. US AND SWEDEN HELD A BILATERAL APRIL 13 TO DISCUSS
REQUESTS AND OFFERS ON AGRICULTURAL PRODUCTS. THE

MEETING WAS CONSTRUCTIVE BUT NOT ENCOURAGING. SWEDISH DEL (LED BY LEMMEL) INCLUDED AGRICULTURAL AND TRADE SPECIALISTS FROM STOCKHOLM (MANHUSEN, SENNING, AGREN, JORNBY) WHO CONVEYED IMPRESSION THAT LITTLE IF ANY TRADE LIBERALIZATION WAS POSSIBLE FOR PRODUCTS SUBJECT TO THE LEVY SYSTEM. SWEDISH DEL EXPLAINED THAT VARIABLE LEVIES WERE CHOSEN TO PROTECT INTERNAL PRICES FOR BASIC COMMODITIES AND THAT, EXCEPT IN A VERY FEW CASES, THEY TAKE THE PLACE OF IMPORT DUTIES. HE ARGUED THAT U.S. REQUESTS FOR A BINDING OF THE TARIFF AT FREE WERE VIRTUALLY MEANINGLESS SINCE NO TARIFF EXISTS. ACCORDING TO HIM, THE NET EFFECT UNDER GATT RULES WOULD BE A BINDING OF THE LEVY (ALSO A U.S. REQUEST) WHICH WAS SIMPLY "NOT POSSIBLE". IN ITEM-BY-ITEM EXAMINATION OF U.S. REQUESTS, SWEDEN USED ARGUMENT THAT VARIABLE LEVIES ARE AN INTEGRAL PART OF ITS DOMESTIC AGRICULTURAL SYSTEM AND ANY MODIFICATION OF LEVIES WOULD IMPACT ADVERSELY ON THAT SYSTEM. NOTWITHSTANDING THIS, SWEDEN AGREED TO "TAKE NOTE" OF U.S. CLARIFICATION OF ITS REQUESTS REGARDING LEVIES (REDUCTION BY 60 PERCENT AND BINDING). US DEL (NORDIC TEAM LED BY BALE) EXPRESSED VIEW THAT U.S. PRIME OBJECTIVE WAS INCREASED MARKET ACCESS FOR PRODUCTS REQUESTED WITHOUT DISRUPTING INTERNAL SYSTEMS OF THE IMPORTING COUNTRY. US DEL ALSO OBSERVED THAT NOT ALL VARIABLE LEVIES APPEAR TO BE NECESSARY AND THAT TARIFFS COULD IN MANY CASES PROVIDE LIMITED OFFICIAL USE

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PAGE 03 GENEVA 05873 01 OF 03 181934Z

ADEQUATE PROTECTION TO THE SYSTEM.

3. US REQUESTS BY COMMODITY SECTOR:

A. LIVESTOCK, MEAT. US DEL QUERIED NECESSITY OF VARIABLE LEVIES ON LIVE HORSES (01.01.001) AND CATTLE (01.02.100) WHICH ARE REALLY FARM INPUTS AND BENEFIT SWEDISH PRODUCERS. SWEDEN REPLIED THAT LEVIES CANNOT BE REDUCED DUE TO POSSIBLE INTERFERENCE WITH DOMESTIC MEAT PRODUCTION. AS REGARDS US REQUEST ON BEEF (EX 02.01), SWEDEN INDICATED IT WOULD STUDY THE IDEA OF A SPECIAL QUOTA BUT WOULD NEED ADDITIONAL CLARIFICATION OF HOW SUCH A QUOTA WOULD WORK IN PRACTICE. THE MAIN QUESTION WAS HOW THE US WOULD DEFINE "HIGH QUALITY BEEF". THE SWEDISH DEL ALSO DOUBTED THAT SUCH AN ARRANGEMENT WOULD BE COMPATIBLE WITH DOMESTIC POLICY BECAUSE (1) WITH REDUCED LEVIES THE MEAT WOULD COMPETE WITH DOMESTIC PRODUCTION, AND (2) IT WOULD BE DIFFICULT TO DIRECT THE TRADE SOLELY TO HOTELS AND RESTAURANTS. HE ASKED WHETHER US EXPORTERS HAD TRIED TO ESTABLISH CONTACTS WITH SWEDISH IMPORTERS WITH THIS TYPE OF ARRANGEMENT IN MIND, AND ASSERTED THAT THIS MIGHT BE A BETTER WAY TO DEAL WITH THE PROBLEM.

(LEMMEL TELEPHONED LATER TO SAY THAT ONE POSSIBLE APPROACH MIGHT BE TO CONTACT THE "GROSSIST FORBUNDET", A MEAT WHOLESALER'S ORGANIZATION WHICH HAS A MEMBER ON SWEDEN'S IMPORT RELIEF BOARD. THIS BOARD CAN AUTHORIZE RESTITUTION OF IMPORT DUTIES. HE SUGGESTED THAT US CONTACT A MR. BRANMO TO DETERMINE WHETHER SUCH RELIEF MIGHT BE POSSIBLE FOR US HIGH QUALITY BEEF.) FOR PREPARED POULTRY MEAT (16.02.300, 707, AND 807), SWEDEN EXPLAINED THAT ITS OFFER TO REDUCE AND BIND THE COEFFICIENT FOR CALCULATING THE LEVY HAD BEEN REQUESTED BY THE US IN YEARS PAST. AS A RESULT OF US REPRESENTATIONS, SWEDEN REDUCED THE COEFFICIENT FROM 2.0 TO 1.75 IN 1974. NOW THEY ARE OFFERING A FURTHER REDUCTION AND BINDING AT 1.6. WITH REGARD TO MIXED ORIENTAL VEGETABLES WITH MEAT (EX 16.02. LIMITED OFFICIAL USE

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PAGE 04 GENEVA 05873 01 OF 03 181934Z

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PAGE 01 GENEVA 05873 02 OF 03 181947Z
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NEA-10 /169 W

-----063905 181949Z /43

P 181910Z APR 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8566

INFO AMEMBASSY STOCKHOLM

LIMITED OFFICIAL USE SECTION 02 OF 03 GENEVA 05873

506) SWEDEN INDICATED THAT ACTION HERE, ALTHOUGH NOT PROBABLE, MIGHT NOT BE IMPOSSIBLE. FOR EGG ALBUMIN (35.02.401 AND 35.02.402) SWEDEN JUSTIFIED ITS NO-OFFER BY CLAIMING ADVERSE IMPACT ON ITS DOMESTIC SYSTEMS. PET FOOD (23.07.008) IS ALLEDGEDLY CONTROLLED BY VARIABLE

LEVIES FOR QUALITY CONTROL PURPOSES AND TO MAKE THE PRODUCT LESS DESIRABLE TO LOW INCOME PEOPLE VIS A VIS PROCESSED FOODS. SWEDISH DEL EVIDENTLY FOUND IT DIFFICULT TO ARGUE THAT THIS PRODUCT IS NON-NEGOTIABLE.

B. FISH. SWEDISH DEL EXPLAINED THAT THE PRICE REGULATING LEVY ON FRESH FISH (03.01 AND 03.03) WAS NON-DISCRIMINATORY; IT IS APPLIED EQUALLY TO DOMESTIC CATCH AND IS USED TO PROVIDE A GENERAL ASSISTANCE FUND TO THE FISHING INDUSTRY. FOR PREPARED SHRIMP (EX 16.05, EX 16.05.110, EX 16.05.210) SWEDEN EXPLAINED THAT THE DIFFICULTY LAY IN THE FACT THAT WHILE THEY HAD ALREADY LOWERED DUTIES ON PROCESSED FISH THE EC HAD NOT. IT WOULD BE DIFFICULT, THEREFORE, FOR THEM TO GO FURTHER WITHOUT A LOWERING OF EC DUTIES.

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PAGE 02 GENEVA 05873 02 OF 03 181947Z

C. FRUITS AND VEGETABLES. REGARDING US REQUESTS ON ICEBERG LETTUCE (TARIFF NUMBER 07.01.853 WAS CORRECT BEFORE MODIFIED TO 07.01.851), DEHYDRATED ONIONS AND DEHYDRATED POTATOES (07.04.002 AND 009), AND POTATO FLOUR (11.05.000), THE SWEDISH DEL EXPRESSED A "CERTAIN HOPE" THAT AN OFFER COULD BE MADE IN CONNECTION WITH A SPECIAL REVIEW OF THE HORTICULTURAL INDUSTRY NOW TAKING PLACE. ALTHOUGH THE FINAL REPORT IS NOT DUE BEFORE AUTUMN THEY EXPECT TO BE ABLE TO INDICATE POSSIBLE ACTIONS IN THE NEAR FUTURE. SWEDEN STRESSED THE EXTREME SENSITIVITY OF FRESH APPLES AND PEARS AND NOTED THAT EC SUBSIDIES MAY FORCE AN EVEN LATER OPENING DATE. SWEDEN CITED INJURY TO THEIR DOMESTIC SYSTEM AS THE REASON FOR NOT MAKING OFFERS ON FRUITS AND VEGETABLES PROTECTED BY VARIABLE LEVIES (07.05.001 - DRIED PEAS; EX 20.02.903 3ND EX 20.02.904 - -OTATO ORODUCTS; AND EX 20.02.909 - MIXED ORIENTAL VEGETABLES). SWEDEN TOOK NOTE OF US REQUESTS FOR IMMROVEMENT OF ITS OFFERS ON EX 20.06.300 - GRAPEFRUIT, 20.06.700 - PEACHES, EX 20.06.809 - CANNED SOUR CHERRIES, AND EX 20.06.901 - FRUIT SALAD. FOR CANNED SOUR CHERRIES, SWEDEN DREW ATTENTION TO PROBLEM OF DISTINGUISHING SOUR CHERRIES FROM OTHER CHERRIES IN CREATING AN EX-OUT.

D. GRAINS AND PRODUCTS. SWEDISH DEL ASKED WHETHER SPECIALTY FLOURS (EX 1902.002) ARE DISTINGUISHABLE FROM BREAD FLOUR. WITHOUT A CLEARER INDICATION OF THE TYPES OF PRODUCTS INVOLVED (SPECIAL MILLING CHARACTERISTICS, PRICE, INGREDIENTS, BULK OR RETAIL) SWEDEN WOULD HAVE TO ASSUME THAT THE PRODUCTS COULD SUBSTITUTE FOR BREAD FLOUR. MTN DEL CLARIFIED US REQUESTS ON CORN AND SORGHUM PER STATE 075534. SWEDISH REACTION TO THE SPECIFIC PROPOSAL WAS COOL BUT THEY DID EXPRESS SYMPATHY FOR US

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PAGE 03 GENEVA 05873 02 OF 03 181947Z

OBJECTIVES. SWEDISH DEL STATED THAT OUTCOME OF MTN GRAINS NEGOTIATIONS COULD BE SIMILAR TO DIRECTION MEAT AND DAIRY NEGOTIATIONS ARE MOVING; INCREASED MARKET SURVEILLANCE, EXCHANGE OF INFORMATION, AND CONSULTATIONS.

E. FATS AND OILS. SWEDEN POINTED OUT THAT A SPECIAL CATEGORY (20.06.700) FOR ROASTED OR SALTED NUTS EXISTS AND IS ALREADY DUTY-FREE. SWEDISH DEL ASKED WHETHER US REQUEST ON EDIBLE PEANUTS (12.01.150) MIGHT BE TAKEN CARE OF BY THIS CATEGORY. IF REQUEST INVOLVES OTHER CONSUMER PRODUCTS, SWEDEN INDICATED A WILLINGNESS TO RECONSIDER OFFER WITHIN 12.01.150. SWEDEN GAVE STANDARD (NEGATIVE) RESPONSE TO US REQUESTS INVOLVING VARIABLE LEVIES ON 12.01.300 - SOYBEANS; 12.02.000 - OILSEED FLOURS; 15.01.000 - LARD; 15.02 - TALLOW; 15.07.151 AND 15.07.159 - COTTONSEED OILS; AND 23.04.149 - OILCAKE FOR ANIMAL FEED. SWEDEN CLAIMED THAT THESE RESTRICTIONS WERE NEEDED TO PROTECT DOMESTIC RAPESEED PRODUCTION AS WELL AS TO CONTROL DAIRY PRODUCTION, IN PARTICULAR. THE US REQUEST ON EX 21.07.905 - TEXTURED PROTEIN WAS REJECTED, ACCORDING TO SWEDISH DEL, BECAUSE OF POSSIBLE COMPETITION FROM MEAT ANALOGS AND EXTENDERS WITH DOMESTIC MEAT PRODUCTION.

F. ALCOHOLIC BEVERAGES. SWEDISH DEL EXPECTED THE "INTERNAL REVIEW" OF THE ALCOHOLIC SECTOR (22.03, 22.09) TO BE COMPLETED IN 2 MONTHS AND THAT SOME RESPONSE WOULD BE POSSIBLE AT THAT TIME. HE DID INDICATE THAT A CLOSE LOOK WAS BEING GIVEN TO THE US REQUEST FOR A TARIFF EX-OUT FOR BOURBON (22.09.410).

4. SWEDISH REQUESTS. SWEDISH DEL UNDERLINED MAJOR PROBLEM IN US MARKET IS COUNTERVAILING DUTIES BUT EXPRESSED CONFIDENCE THAT SOMETHING COULD BE WORKED OUT EITHER IN THE FRAMEWORK OF A SUBSIDIES/CVD CODE OR THE DAIRY SUBGROUP. SWEDEN CRITICIZED FOR THE RECORD US POLICY AS REGARDS PRINCIPAL SUPPLIERS. HOWEVER, SWEDISH
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PAGE 04 GENEVA 05873 02 OF 03 181947Z

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PAGE 01 GENEVA 05873 03 OF 03 181945Z
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P 181910Z APR 78
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LIMITED OFFICIAL USE SECTION 03 OF 03 GENEVA 05873

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DEL RECOGNIZED THAT FOR THE US TO RESPOND DIRECTLY TO
ITS REQUEST ON CANDY AND CONFECTIONERY, IT WOULD HAVE
TO INDICATE THE SPECIFIC PRODUCTS OF INTEREST TO SWEDEN.
INITIAL GUESS WAS THROAT PASTILLES AND LIQUORICE CANDY.
SWEDEN PROVIDED US DEL WITH AN ADDITIONAL REQUEST LIST
WHICH INCLUDED: TSUS 455.20 - EDIBLE GELATIN OVER
80 CENTS/LB, 455.32 - VEGETABLE GLUE 40 CENTS/LB OR
MORE AND 455.40 - ANIMAL GLUE UNDER 40 CENTS/LB. THE
REQUESTS ARE FOR A TARIFF REDUCTION OF 60 PERCENT.
SWEDEN ALSO DREW ATTENTION TO A PARTICULAR TOBACCO ITEM
(TSUS 170.80) WHERE SWEDEN IS A MAJOR SUPPLIER AND
SUGGESTED THAT IT WILL REVIEW THIS ITEM FOR POSSIBLE
ADDITION TO SWEDEN'S REQUEST LIST.

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PAGE 02 GENEVA 05873 03 OF 03 181945Z

5. DRAFTED BY DRAZEK. CULBERT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
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Control Number: n/a
Copy: SINGLE
Draft Date: 18 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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Original Previous Handling Restrictions: n/a
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